Young Investors: 2 Dividend Stocks to Begin Your TFSA Retirement Portfolio

Description

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Millennials are searching for ways to set aside cash for their golden years.

In the past, this wasn't such a big deal, as most people found good full-time jobs right out of school. Today, contract work is more common, and young people can spend years in the workforce before they get a position with benefits.

When a full-time job finally comes along, the pension program can vary widely, and most companies are moving to defined-contribution programs instead of providing defined-benefit pensions.

As a result, many millennials are forced to set aside cash on their own to plan for their retirement.

One way to do this is to hold dividend-growth stocks inside a TFSA and invest the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over time.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to see why they might be interesting picks.

Enbridge closed its $37 billion purchase of Spectra Energy earlier this year in a deal that added strategic gas assets to complement Enbridge's heavy focus on liquids pipelines.

The purchase also provided a nice boost to the capital plan. In fact, Enbridge now has $31 billion in near-term projects underway that should be completed in the next few years.

As the new assets go into service, Enbridge expects cash flow to increase enough to support annual dividend growth of at least 10% per year through 2024.

The current dividend provides a yield of 5%.

Fortis

Fortis owns natural gas distribution, power generation, and electric transmission assets in Canada, the

United States, and the Caribbean.

The company gets most of its revenue from regulated businesses, which means cash flow should be both predictable and reliable.

Fortis has grown significantly in recent years with the 2014 acquisition of Arizona-based UNS Energy for US$4.5 billion and the 2016 purchase of ITC Holdings for US$11.3 billion.

The assets are performing as expected, and Fortis plans to boost its dividend by at least 6% per year through 2022.

The company has raised the payout every year for more than four decades, so investors should feel comfortable with the guidance.

The current distribution provides a yield of 3.6%.

Is one a better bet?

Both stocks should be solid buy-and-hold picks for a dividend-focused TFSA retirement fund.

If you only buy one, I would probably make Enbridge the first choice today. The energy infrastructure giant's stock has pulled back this year, and the sell-off might be a bit overdone.

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